

Message Text

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C O N F I D E N T I A L OTTAWA 2665

EXDIS

E.O. 11652: GDS

TAGS: EAGR, CA, UR

SUBJ: GRAIN SITUATION AND POSSIBLE SOVIET PURCHASES

REF: STATE 164826

1. IN RESPONSE TO REFTEL REQUEST I CALLED ON OTTO LANG, MINISTER IN CHARGE OF CANADIAN WHEAT BOARD, ACCOMPANIED BY ECONOMIC COUNSELOR AND AGATT. JOHN O'CONNOR OF GOC GRAINS GROUP WAS ALSO PRESENT. I WAS UNABLE TO ARRANGE THIS MEETING EARLIER DUE TO THE MINISTER'S ABSENCE FROM OTTAWA.

2. I OPENED CONVERSATION BY STATING THAT MY INSTRUCTIONS WERE TO APPROACH GOC AT MINISTERIAL LEVEL AND THAT WE WERE CALLING ON HIM IN HIS CAPACITY AS MINISTER IN CHARGE OF THE CANADIAN WHEAT BOARD.

3. REVIEWED RECENT CHANGES IN USDA ESTIMATES OF USSR CROP ADDING THAT CROP CONDITIONS COULD SUGGEST THAT USSR PURCHASES AT THE LEVEL OF 1972. REFERRED TO RUMORS INVOLVING CANADIAN SALES AND STATED THAT U.S. WOULD APPRECIATE ANY INFORMATION ON SUCH SALES THAT HE COULD REVEAL TO US ON A CONFIDENTIAL BASIS.

4. MINISTER LANG STATED THAT HE HAD HEARD SIMILAR REPORTS BUT HAD NO KNOWLEDGE OF THEIR ACCURACY, ADDING THAT THE WHEAT BOARD OPERATED INDEPENDENTLY AND IT WAS CONFIDENTIAL

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THEIR RESPONSIBILITY TO ASSURE ADEQUATE DOMESTIC

SUPPLIES AND HENCE CANADA WAS NOT FACED WITH THE PROBLEM OF OVER SELLING.

5. HE ALSO STATED THAT HE BELIEVED CWB WOULD BE CAUTIOUS IN MAKING FORWARD SALES WHICH DEPENDED ON AN UNHARVESTED CROP. THIS WOULD BE PARTICULARLY TRUE OF BARLEY AS WELL AS HIGH QUALITY MILLING WHEAT. O'CONNOR ADDED THAT USSR HAS NEVER BEEN INTERESTED IN LOW QUALITY CANADIAN WHEAT AND DISCOUNTED THE POSSIBILITY OF NO. 3 UTILITY WHEAT.

6. LANG STATED THAT JULY 31 CARRYOVER ESTIMATES WAS 300 MILLION BUSHELLS INCLUDING FARM STOCKS. EXCEPT FOR AN ESTIMATED 60-80 MILLION BUSHELLS OF MILLING CAPACITY WHEAT STILL ON FARMS, THE CARRYOVER WILL RUN HEAVY TO NO. 3 UTILITY.

7. I REFERRED TO THE REPORTED CANADIAN SALES SEVERAL TIMES BUT IT WAS OBVIOUS THAT LANG NOT ONLY WOULD NEITHER CONFIRM NOR DENY THIS, HE SIMPLY DID NOT WANT TO TALK ABOUT THESE NUMBERS.

8. MINISTER LANG RESPONDED TO MY QUESTION ABOUT BILATERAL CONSULTATIONS (ITEM 6 REFTEL) BY EXPRESSING GENERAL AGREEMENT AND REFERRED TO A MEETING A YEAR AND A HALF AGO AS BEING HELPFUL. (REFERENCE PRESUMABLY WAS VISIT TO OTTAWA OF USDA ASSISTANT SECRETARY BRUNTHAVER IN DECEMBER 1973). HE INDICATED HE WOULD BE PREPARED TO CONSIDER ANY U.S. PROPOSALS AS TO THE LEVEL OF PARTICIPATION OR TIMING.

9. IN CONVERSATION FOLLOWING MEETING, O'CONNOR STATED THAT CWB ONLY CONTACTS OTTAWA WHEN CREDIT SALES ARE INVOLVED OR ON SOMETHING HIGHLY UNUSUAL. HE IMPLIED THAT THERE HAD BEEN NO CONTACT ON SALES A MONTH AGO WHEN THE USSR DELEGATES WERE IN WINNIPEG NOR HAD THERE BEEN ANY SINCE. FROM THIS ONE COULD SPECULATE THAT NO LARGE SALES HAD BEEN MADE, OR THAT THIS IS THE IMPRESSION GOC WISHED TO CONVEY. JOHNSON

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